

State of California
Business, Transportation & Housing Agency
Department of Transportation

Prepared By:
Brice D. Paris
Program Manager
Right of Way
(916) 654-5075

HIGHWAY RIGHT OF WAY MATTERS
Airspace Lease Direct Negotiations
03-Sac-50-P.M. 1.9
Action Item

CTC Meeting: February 21-22, 2001

Agenda Item: 2.4c.

Original Signed by _____

W. J. EVANS, Deputy Director
Finance
February 1, 2001

AIRSPACE LEASE AMENDMENT - RAVEL PROPERTIES

The Department of Transportation (Department) recommends that the California Transportation Commission (Commission) authorize execution of a lease amendment between the State of California, the Department and the proposed assignee, Ravel Properties.

The subject is located beneath and adjacent to the Camellia Viaduct of State Route 50 in Sacramento. The city block is 121,443 \pm square feet and is bounded on the east by 23rd Street, on the west by 22nd Street, on the south by X Street, and by W Street on the north.

The site is utilized as a surface parking lot to support an 110,000-square feet office building complex located across X Street. The current Lessee is the "Twenty Second and Broadway Partnership" who is assigning the lease to Ravel Properties in an exchange agreement. The original lease has a term of 32 years four months beginning June 1, 1983, and expiring on September 30, 2015. The current lease rate is \$5,546.64 per month with Consumer Price Index (CPI) adjustments every five years except when a reevaluation occurs (1995 and 2005). The maximum CPI upward adjustment is 8 percent per annum compounded with no floor.

The proposed assignee is requesting a 30-year lease extension and has stated their offer to purchase the office building may be contingent upon receiving the lease extension due to the need for parking for the office building and financing considerations.

This proposal was submitted to the District Airspace Review Committee to determine if there are any proposed projects that would preclude the lease extension. There are currently discussions to extend High Occupancy Vehicle Lanes (HOVL) in the median area of the freeway and to possibly add drop ramps. The proposed project is expected to be nominated to the Sacramento Area Council of Governments (SACOG) for State Transportation Improvement Program (STIP) funding (if local support is found) and may have funding for the environmental documents in fiscal year 2004/05. The location of the drop ramps has not been determined. There may also be future interest in exploring adding an additional lane to the south of the viaduct.

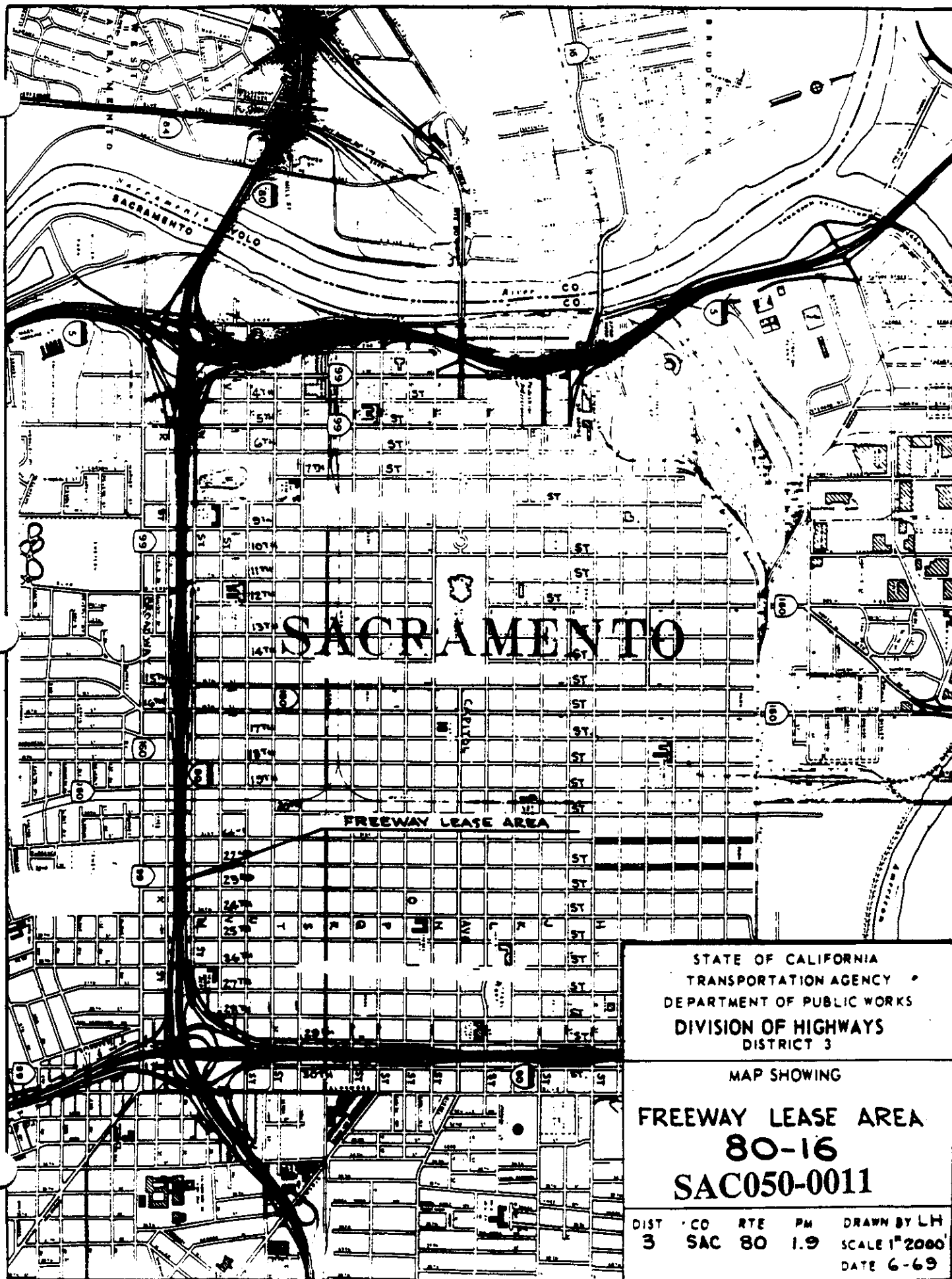
The proposed projects have been disclosed to the proposed assignee. Due to the potential that future project work will require a portion(s) of the parcel and will disrupt the use of the parcel, the Department proposed that certain modifications to the *standard condemnation clause* would be required to pursue approval of the lease extension. The *standard condemnation clause* allows Lessor to acquire the premises for a transportation or public use with the Lessee receiving compensation based on the value of its interests in said single parcel and improvements constructed thereon without regard to adjoining uses or ownership, potentially requiring legal/court action(s). The amended lease would replace the *standard condemnation clause* with a *future transportation project clause*, which clearly states that there will be no compensation paid for the taking or disruption and does not require legal/court action(s). The Lessee would receive pro-rata rent relief during the disruption due to construction and a permanent pro-rata reduction of the lease rate depending upon the area taken.

The proposed assignee has agreed to waive the existing provisions in favor of the amended lease provisions including they may construct a parking structure on the remainder after all transportation project work is completed (if they are required to replace the impacted (lost) spaces to fulfill requirements for the office building tenant's parking needs). In addition, during the extended lease term the rental rate will continue to be subject to the CPI escalations and reevaluations every ten years. If a parking structure is constructed, provisions will be made for access to the freeway structure for maintenance purposes.

This proposed lease amendment is mutually beneficial as it simplifies gaining control of the parcel for anticipated project-related work, assures maintaining market rent with the reevaluations and meets the needs of the proposed assignee.

The Commission's Airspace Advisory Committee, at their January 9, 2001 meeting, reviewed and recommends approval of the proposed terms and conditions.

Attachments



SCALE 1"=60'
DATE 5/69